

CERF



COUNTY EMPLOYEES' RETIREMENT FUND

Summary Annual Report

For the Fiscal Year Ending December 31, 2009

Helping you build a brighter tomorrow

COUNTY EMPLOYEES' RETIREMENT FUND

CERF Pension Plan Information

CERF Administrative Office
2121 Schotthill Woods Drive
Jefferson City, MO 65101

Telephone: (573) 632-9203
Toll-Free: (877) 632-2373
Facsimile: (573) 761-4404
Website: www.mocerf.org
E-mail: admin@mocerf.org

CERF Savings Plan Information

Great-West Retirement Services
100 N. Tucker, Suite 100
St. Louis, MO 63101

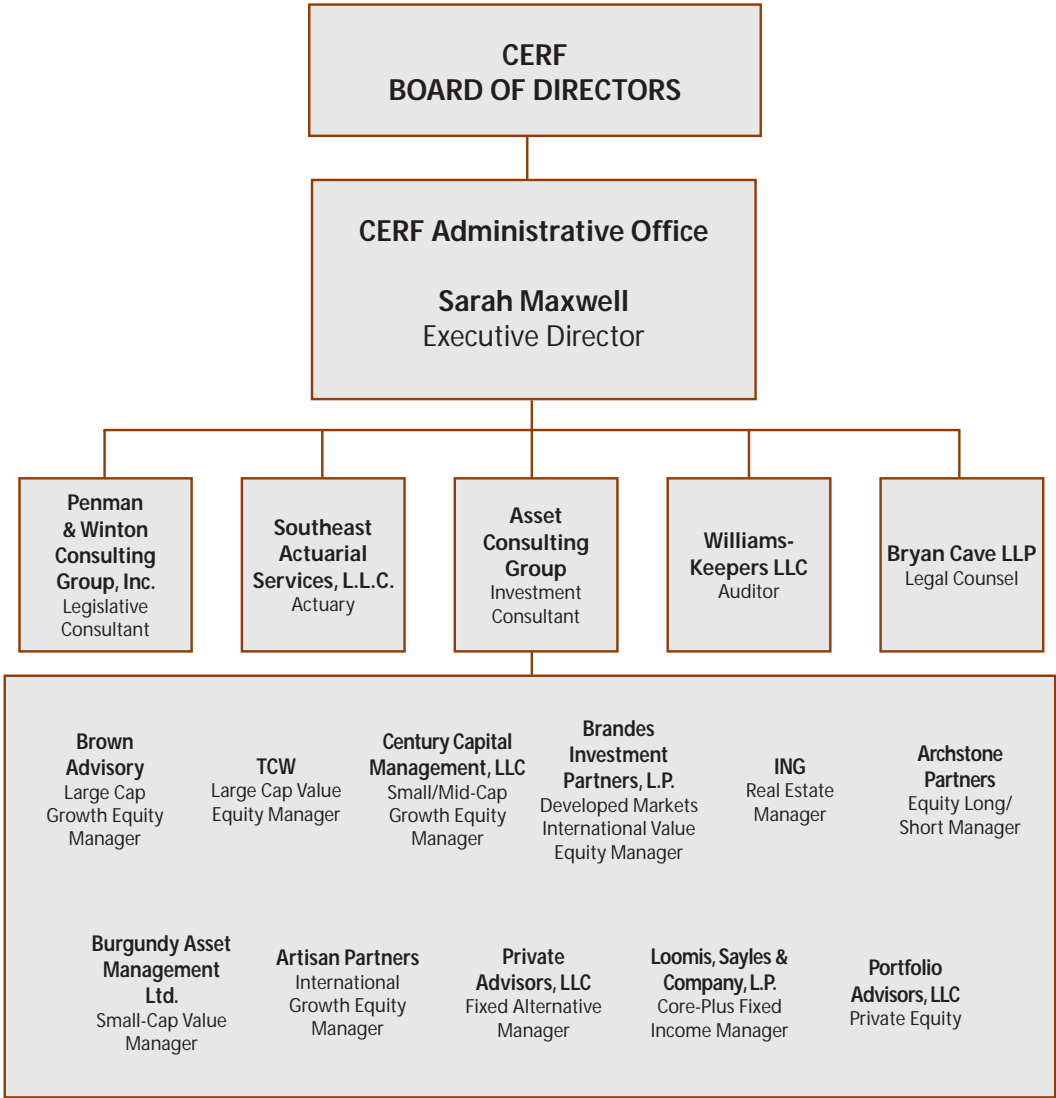
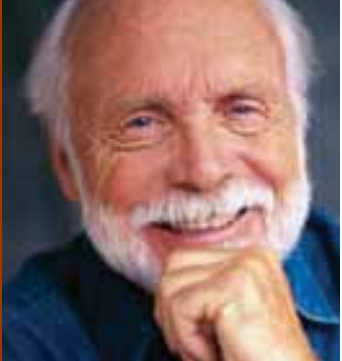
Toll-Free: (877) 895-1394
Facsimile: (314) 241-2181
Website: www.gwrs.com*
E-mail: james.ellison@gwrs.com
KeyTalk® Info Line: (800) 701-8255*

*User Name and Personal Identification Number required.

COUNTY EMPLOYEES' RETIREMENT FUND 2009 Board of Trustees

Ken Dillon – *Board Member*
Conny Dover – *Board Member*
Rosemary Gannaway – *Secretary*
Peggy Kubicek – *Board Member*
Elaine Luck – *Chair*
Kay Murray – *Board Member*
Jerry Reynolds – *Board Member*
Wayne Scharnhorst – *Vice-Chair*
Sherry Shamel – *Board Member*
Frank Sifford – *Board Member*
Dennis Turner – *Board Member*

ADMINISTRATIVE STRUCTURE



This Annual Report is distributed for informational purposes only. The full text of actuarial reports, financial statements and audit materials is available upon request pursuant to Missouri's Open Records Law. To obtain any of these documents, you may send a written request to the plan administrator at:

*CERF Plan Administrator
2121 Schotthill Woods Drive
Jefferson City, MO 65101*

The actual language of the statutes and rules and regulations creating and implementing the County Employees' Retirement Fund controls and takes precedence over the material contained herein. In the event a member has any questions concerning the County Employees' Retirement Fund, the member should look to the statutes codified at Section 50.1000, RSMo (1994) et. seq. for guidance. Members should not rely on this summary in place of the actual text of the law.



CERF Pension Plan

Eligibility	Full-time employees (scheduled to work 1,000 hours a year) are eligible to participate in the Pension Plan. Part-time and seasonal employees become eligible on January 1 or July 1 after completion of 1,000 hours of service in a calendar year, or upon transfer to full-time status.
Participation	Participation is mandatory for eligible employees. Full-time employees begin participating in the plan immediately upon their date of hire. Part-time and seasonal employees begin participating once they become eligible.
Contributions	House Bill 1455 required all participants hired on or after February 25, 2002, to contribute an additional 4% of gross salary to the plan, effective January 1, 2003. A non-LAGERS participant hired prior to February 25, 2002, contributes 2%; a non-LAGERS participant hired on or after February 25, 2002, contributes 6% to the plan. A LAGERS participant hired prior to February 25, 2002, is not required to make contributions; a LAGERS participant hired on or after February 25, 2002, contributes 4% to the plan. Nearly all of the funding for CERF comes from county receipts in the form of contributions, fees and penalties.
Vesting	A participant is vested after eight years of continuous creditable service during which pay is earned and received for at least 1,000 hours in each of those eight years.
Prior Service	Employees who were employed on June 10, 1999, and remained employed through January 1, 2000, do not have to purchase prior service. (Specific rules apply in certain rehire circumstances.) Members who terminated vested or retired prior to January 1, 2000, must purchase any service accrued prior to August 28, 1994, in order to include that service in their retirement benefit.
Early Retirement	Members have the option of retiring as early as age 55 (with eight years of creditable service) and receiving an actuarially-reduced benefit. To be eligible for early retirement, a participant must terminate employment on or after January 1, 2000, and meet other eligibility requirements.
Cost-of-Living Adjustment	The Board may authorize a COLA each year equal to 100% of the Consumer Price Index, up to 1%, for all members who have been receiving benefits for at least one year on the date the COLA becomes effective. Cost-of-Living Adjustments will become effective on July 1 of each year.
Survivor Benefits	<p>ACTIVE EMPLOYEES: If a participant dies while actively employed, his or her named beneficiary will receive a lump-sum death benefit of \$10,000. In addition, if the participant is vested at the time of death, the surviving spouse is eligible to apply for a 50% spousal benefit.</p> <p>VESTED TERMINATIONS: If a participant is vested but terminates employment prior to becoming eligible to draw a benefit, and then dies before his or her pension begins, his or her surviving spouse can apply for a 50% survivor benefit.</p> <p>SINGLE, VESTED MEMBERS: House Bill 795, effective 8/28/04, allows a refund of contributions to the beneficiary(ies) of a single, vested member who dies on or after August 28, 2004.</p> <p>RETIRED MEMBERS: Depending on which option the member chooses, the designated survivor will receive the appropriate amount of benefits under the survivor option selected on his or her benefit calculation. Members who terminate employment or retire on or after January 1, 2000, have the option to designate someone other than a spouse as the beneficiary of their retirement annuity.</p>

CERF Savings Plan

Eligibility	A member must participate in the CERF Pension Plan in order to be eligible to participate in the CERF Savings Plan.
Automatic Contributions	Effective January 1, 2000, a member who is not in LAGERS is required to contribute .7% to the CERF Savings Plan. This pre-tax deduction is deposited automatically in the member's 401(a) account.
Voluntary Contributions	In 2009, participants may contribute up to the lesser of \$16,500, or 100% of their includible compensation to the 457 component of the plan. This limit includes contributions to other 457 plans as well.
Matching Contributions	Each year, the Board of Directors will determine the amount available for a matching contribution to the Savings Plan (up to plan limits). This matching amount will be added to member accounts for those who earn and receive pay for at least 1,000 hours during the year, retire at age 62, or die while employed by the county, and will be deposited into member accounts as soon as administratively feasible after the plan year has ended. Any matching money granted to member accounts will be deposited into the 401(a) portion of their account.
Vesting	Members are always 100% vested in their automatic (.7%) and voluntary (457 plan) contributions, and are 100% vested in the matching contributions when they have 5 years of creditable service (from date of hire), or if they die during the plan year.
Investment Options	A broad range of investment options is available, including the option to pick individual funds or invest through a selected portfolio.
Making Changes	Participants may change the amount of their contributions on a quarterly basis and can stop 457 plan deferrals completely at any time. Changes to investment options can be done at any time. Investment changes can be made on a same-day basis through either Keytalk at 800-701-8255 or the website at www.gwrs.com . You will need to use your user ID and personal identification number (PIN) provided to you by Great West.
Payment Options	Payments from the 457 or 401(a) portion of the plan may be made through annuity payments, lump sum, or periodic distributions if the account balance is \$5,000 or more.
Rollovers and Plan Transfers	Members who have other qualified 457 or 401(a) or (k) plans may transfer or roll over money from those plans to the appropriate component of the CERF Savings Plan. Likewise, if a member leaves employment, he or she may transfer or roll over his or her CERF Savings Plan balance to another qualified plan or IRA.
Need More Information	For more information on the CERF Savings Plan, please see the contact information on the first page of this document or call the CERF Administrative Office for a copy of the most recent Savings Plan brochures.

Investments

Overview

The County Employees' Retirement Fund (CERF) retirement fund assets are invested and monitored in accordance with the fund's investment policy, which articulates the fund's goals, objectives, and risk parameters.

CERF Investment Portfolio Guidelines and Objectives

CERF's primary objective is to invest the pension fund assets in a manner which is in the best interest and for the benefit of the fund's participants. CERF's investment policy states that this should be achieved by maximizing investment returns within prudent risk parameters over a long-term time horizon. The Board of Directors believes that it is appropriate to have CERF's assets diversified among various types of investments as an important way to manage risk.

CERF has three broad long-term investment objectives: (1) to achieve a return of 1% over the actuarial assumption rate (currently 8%) in order to provide ongoing support to members, (2) to grow the portfolio assets at 5% over the inflation rate to preserve the portfolio's purchasing power over time, and (3) to outperform a blended passive index (blended benchmark) which mirrors the portfolio's asset allocation mix to evaluate the success of the portfolio's investment strategy.

Total Portfolio Performance

CERF's investment portfolio has generally performed well as compared to its stated objectives and in relation to the appropriate measuring sticks since the inception of the pension fund in 1994. While the investment markets ebb and flow on a shorter-term basis (and we have certainly seen some erratic movement over these past couple of years), the CERF investment program has been designed and postured for the long-term. As such, the total pension fund's objectives relate to both return and risk, and are long-term focused.

The following chart summarizes the pension fund's results compared to the objectives defined by the investment policy:

Total Pension Fund Performance vs. Objectives

For Period Ending December 31, 2009¹

	Benchmark	CERF	Objective Met?
• At a minimum, it is the objective of CERF to exceed its actuarial interest rate assumption by 1% on an ongoing basis. ²	9.0%	8.8%	NO
• The Pension Fund's annualized total returns should equal or exceed the annualized rate of inflation as indicated by the Consumer Price Index by 5%.	7.6%	8.8%	YES
• The Pension Fund's total return, should exceed the total return of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital Aggregate Bond Index	7.9%	8.8%	YES
• The Pension Fund's level of risk, as measured by Standard Deviation, should be consistent with the risk of an index composed as follows: 65% S&P 500 Stock Index 35% Barclays Capital Aggregate Index	10.5	10.0	YES

¹All returns shown are since inception in December 1994.

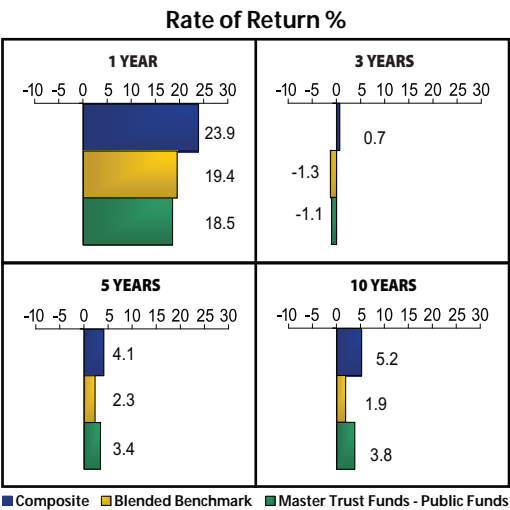
²The desired objective on a long-term basis is to achieve an excess return over the actuarial assumption by 1%, which is an absolute objective of 9%, net of management fees and transaction costs.

The preceding chart shows that CERF's portfolio returns are in line with long-term expectations, despite the most difficult recent market decline of 2008. These returns have been achieved with less risk (volatility) than the broad markets.

The chart below shows CERF's investment performance compared to relevant benchmarks for various time periods ending December 31, 2009.

Total Pension Fund Performance vs. Benchmarks

For the Periods Ending December 31, 2009



The chart above shows that CERF's portfolio has outperformed its benchmark return over the one, three, five and ten year periods, and has significantly outperformed the median pension fund for each of those periods.

2009 was a rebound year for the financial markets and the CERF portfolio participated, with a return of approximately 24% for the year.

Total Portfolio Asset Allocation

CERF's asset allocation mix is continually monitored and reviewed to ensure that it is appropriate given the investment objectives and guidelines, the current size of the portfolio, and the fund's liability stream and risk tolerances.

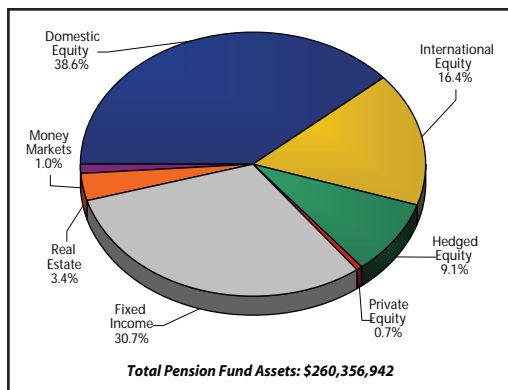
Diversification is key to the success of any long-term investment program, and CERF's investment portfolio has been constructed to be well-diversified with exposure to different investment asset classes.

The portfolio's current target asset allocation mix is 65% equity, 30% fixed income and 5% real assets (real estate).

Investments

The chart below depicts the pension fund's asset allocation as of December 31, 2009:

Total Pension Fund Asset Allocation
As of December 31, 2009



Equity Portfolio Design

CERF's equity portfolio is diversified by asset class (domestic stocks, international stocks, hedged equity funds and private equity), investment size (small, mid and large capitalization stocks), investment style (value and growth stocks), and investment management organization (different money managers are responsible for managing specific pieces of the portfolio).

Fixed Income Portfolio Design

Fixed income investments are included in the portfolio to enhance diversification. Generally, fixed income strategies tend to be less sensitive to movements in the stock market than equities. The fixed income portfolio is intended to represent the broad fixed income markets, with an emphasis on high quality bonds. Similar to the equity portfolio, various fixed income strategies are represented, with varying diversification attributes such as quality, sector, and security type.

Real Assets Portfolio Design

Real assets typically behave differently than stocks and bonds, and therefore provide further diversification to an investment portfolio. CERF's portfolio includes an allocation to real estate. The current exposure to real estate within the pension fund is primarily through a diversified real estate fund.

Diversification extends beyond the asset allocation decision and is an important element in the implementation and investment manager selection process. Each investment manager is expected to invest in a well-diversified portfolio of high quality securities, and are given specific performance hurdles which they are expected to exceed over reasonable periods of time and within appropriate risk parameters. Each manager employed by CERF is given a specific assignment along with detailed guidelines and constraints for managing their portion of the portfolio.

2009 Year in Review

2009 started out in a depression-like scenario – the economy was falling off the cliff while stocks and non-Treasury bonds plunged. The S&P 500 Index plummeted 57% from its lifetime peak in October 2007 to a 12 year low on March 9, 2009. By spring, however, investors became increasingly optimistic that after the US government lent, pledged or spent \$11 trillion in stimulus funds, it could eventually bring an end to the recession. This set the stage for one of the biggest stock and credit market rallies in history over the ensuing months.

US stocks closed out 2009 with broad gains across the market capitalization spectrum and most sectors. The 26.5% advance in the S&P 500 recaptured a good portion of the stock market value that had been lost by investors in 2008. As is typical during the early stages of an economic rebound, small cap stocks logged healthy returns in 2009 and outpaced their large cap counterparts. Stock markets around the world also gained momentum in 2009 as government stimulus policies aided in the global economic recovery. Global flows into non-US, emerging markets equities were at an all-time high in 2009, and the emerging markets were the best performing asset class for the year.

As for the fixed income markets, the aftermath of the 2008 credit crisis resulted in rising volatility and a spike in yields in the first quarter, but a strong rally ensued in the credit markets during the latter nine months of the year. Investors' rising confidence and growing risk appetite drove performance across the corporate bond spectrums in 2009, resulting in strong returns.

Ongoing Monitoring

The investment consultant works closely with the Board to develop and oversee the investment program. This includes creating and updating investment policy, developing, monitoring and updating the asset allocation strategy, assessing overall portfolio and individual manager risk, monitoring and evaluating the fund's investment managers, and making recommendations regarding changes or adjustments to the portfolio where appropriate. CERF's Board and their consultant meet each calendar quarter to review the investment portfolio in detail and to discuss and address specific issues. In addition, interim meetings are held as needed to ensure that the monitoring and oversight process for CERF's investment portfolio is ongoing.

CERF's investment managers provide regular updates on their portfolios to the consultant and CERF's staff. In addition, each investment manager presents a formal update to the Board on a periodic basis.

The CERF Board's primary focus regarding the investment program is to achieve the stated investment objectives in a prudent manner over a long-term time horizon.

Actuarial

PLAN MEMBERSHIP

AS OF JULY 1, 2009

Covered Payroll	\$352,719,824
Average Pay per Active Member	\$31,569

ANNUAL REQUIRED CONTRIBUTION

Unfunded Actuarial Accrued Liability (UAAL)	\$126,139,451
Amortization of UAAL, with interest to mid-year*	\$10,965,035
Normal Cost, with interest to mid-year	\$15,533,227
Reduction in Normal Cost for member contributions	\$7,402,939
Annual Required Contribution as a percent of payroll	\$19,095,323 5.41%

PLAN ASSETS

Market Value	\$225,331,545
Actuarial Value	\$270,397,854

FUNDED STATUS

Actuarial Present Value of Accrued Benefits (based on current pay)	\$344,950,792
Funded Ratios	
Accumulated Benefit Basis	78%
Actuarial Accrued Liability Basis	68%

* The UAAL is being amortized as a level percentage of payroll over a 30-year period beginning January 1, 1995.

County Employees'

Financial Statements



STATEMENT OF PLAN NET ASSETS DECEMBER 31, 2009

ASSETS

Cash	\$ 1,670,557
Receivables:	
Member contributions	403,496
Member prior service contributions	161,959
County contributions	2,711,874
Receivable for pending investment sales	469,962
Accrued interest and dividends	<u>559,398</u>
Total receivables	4,306,689
Investments, at fair value	255,763,139
Invested securities lending collateral	65,086,203
Other Assets	4,625
Capital assets, net of accumulated depreciation of \$1,988,886	<u>3,703,825</u>
Total assets	<u>330,535,038</u>

LIABILITIES

Accounts payable	331,695
Accrued defined contribution plan contribution	2,005,611
Other accrued expenses	87,754
Deferred revenue	213,299
Payable for pending investment purchases	482,609
Collateral for securities on loan	<u>66,634,747</u>
Total liabilities	<u>69,755,715</u>
Net assets held in trust for pension benefits	<u>\$ 260,779,323</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

Retirement Fund

Financial Statements



STATEMENT OF CHANGES IN PLAN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2009

ADDITIONS:

Contributions:

County receipts	\$20,224,734
By members	8,335,338
For members, paid by counties	783,752
Members, purchase of prior service	92,669
Total contributions	<u>\$29,436,493</u>

Investment Income (loss):

Investing activities:

Net appreciation (depreciation) in fair value of investments	44,385,758
Interest	2,692,165
Dividends	2,365,998

Total investment income (loss) 49,443,921

Investment expenses (1,225,728)

Net income (loss) from investing activities 48,218,193

Securities Lending Activities:

Income	284,295
Expenses	(227,820)
Net decrease in fair value of re-invested collateral	(431,741)

Net (loss) from securities lending activities (375,266)

Total net investment income 47,842,927

Other Income 123,198

Total additions (deductions) 77,402,618

DEDUCTIONS:

Benefits	14,999,256
Refunds of member contributions	2,545,500
Defined contribution plan matching contribution	2,005,611
Administrative expense	1,919,044
Total deductions	<u>21,469,411</u>

Net increase (decrease) 55,933,207

Net assets held in trust for pension benefits

Beginning of year	204,846,116
End of year	<u>\$260,779,323</u>

The notes to financial statements are an integral part of these statements and are available on CERF's website, or by contacting the CERF Administrative Office.

CERF Demographics

(Data as of December 31, 2009)

Active Participants	11,248
Retired Members and Beneficiaries	2,926
Terminated Vested Participants	1,532

Sum of Death Benefits (since inception)	\$ 3,449,948
Sum of Remaining Buy Back Balances	\$ 161,959
Sum of Benefit Payments, Taxes and Buy Back Payments (since inception)	\$ 99,957,569

Average Gross Monthly Benefit	\$425.07
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Summary of County Receipts for 2009

Assessor Late Fees	Collector Merchant License Fees	Collector Delinquent Fees	County Interest	Employee Contributions	County Contributions	Recorder Document Filing Fees
\$5,264,998	\$1,168,839	\$8,171,265	\$58,763	\$8,318,295	\$783,752	\$5,560,869

County Employees' Retirement Fund
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Jefferson City, MO 65101

Presort Standard
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